



Patrick W. Henning, Director
April 1, 2009
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Arnold Schwarzenegger
Governor

Mr. Robert Lanter, Executive Director
Workforce Development Board of Contra Costa County
2425 Bisso Lane, Suite 100
Concord, CA 94520

Dear Mr. Lanter:

WORKFORCE INVESTMENT ACT
FISCAL AND PROCUREMENT REVIEW
FINAL MONITORING REPORT
PROGRAM YEAR 2007-08

This is to inform you of the results of our review for Program Year (PY) 2007-08 of the Contra Costa County Local Workforce Investment Area's (Contra Costa LWIA) Workforce Investment Act (WIA) grant financial management and procurement systems. This review was conducted by Mr. Gerald Lee, and Mr. David Ajirogi from June 23, 2008, through June 27, 2008, and July 3, 2008. For the fiscal portion of the review, we focused on the following areas: fiscal policies and procedures, accounting system, reporting, program income, expenditures, internal control, allowable costs, cash management, cost allocation, indirect costs, fiscal monitoring of subrecipients, single audit and audit resolution policies and procedures for its subrecipients and written internal management procedures. For the procurement portion of the review, we examined procurement policies and procedures, methods of procurement, procurement competition and selection of service providers, cost and price analyses, and contract terms and agreements and property management.

Our review was conducted under the authority of Section 667.410(b)(1), (2) & (3) of Title 20 of the Code of Federal Regulations (20 CFR). The purpose of this review was to determine the level of compliance by the Contra Costa LWIA with applicable federal and state laws, regulations, policies, and directives related to the WIA grant regarding financial management and procurement for PY 2007-08.

We collected the information for this report through interviews with representatives of the Contra Costa LWIA, a review of applicable policies and procedures, and a review of documentation retained by the Contra Costa LWIA for a sample of expenditures and procurements for PY 2007-08.

We received your response to our draft report on October 27, 2008, and reviewed your comments and documentation before finalizing this report. Because your response did not address findings one through seven cited in the draft report, we consider these findings unresolved. We requested that the Contra Costa LWIA provide the Compliance Review Division (CRD) with additional information and/or a corrective action plan (CAP) to resolve the issues that led to the findings. Therefore, these findings remain open and have been assigned Corrective Action Tracking System (CATS) numbers 80207 through 80213.

BACKGROUND

The Contra Costa LWIA was awarded WIA funds to administer a comprehensive workforce investment system by way of streamlining services through the One-Stop delivery system. For PY 2007-08, the Contra Costa LWIA was allocated: \$1,498,388 to serve 282 adult participants; \$1,565,598 to serve 492 youth participants; and \$1,673,568 to serve 278 dislocated worker participants.

For the quarter ending March 31, 2008, the Contra Costa LWIA reported the following expenditures and enrollments for its WIA programs: \$713,132 to serve 252 adult participants; \$141,509 to serve 332 youth participants; and \$574,027 to serve 282 dislocated worker participants.

FISCAL REVIEW RESULTS

While we concluded that, overall, the Contra Costa LWIA is meeting applicable WIA requirements concerning financial management, we noted instances of noncompliance in the following areas: timesheets, expense documentation, cost/price analysis, mileage reimbursement and general ledger. The findings that we identified in these areas, our recommendations, and the Contra Costa LWIA's proposed resolution of the findings are specified below.

FINDING 1

Requirement: OMB Circular A-122 Attachment A(2)(b) states, in part, to be allowed under an award, costs must be adequately documented.

OMB Circular A-122, Attachment B, Paragraph (8)(m)(2)(a-c) requires that personnel activity reports must be signed by the individual employee, or by a responsible supervisory official having first hand knowledge of the activities performed by the employee. The reports must reflect an after-the-fact determination of the actual activity of each employee. Budget estimates (i.e., estimates determined before the services are performed) do not qualify as support for charges to awards.

Each report must account for the total activity for which employees are compensated and which is required in fulfillment of their obligations to the organization. The reports must be signed by the individual employee, or by a responsible supervisory official having first hand knowledge of the activities performed by the employee, that the distribution of activity represents a reasonable estimate of the actual work performed by the employee during the periods covered by the reports.

20 CFR 667.220(c)(2) states, in part, that personnel and related non-personnel costs of staff who perform both administrative functions and programmatic services must be allocated to the benefiting cost objectives/categories based on documented distributions of actual time worked or other equitable cost allocation methods.

Observation:

The Contra Costa LWIA started its contract with The Williams Group in January 2008. The Contra Costa LWIA paid its subrecipient, The Williams Group, payments for labor charges in the month of January through May without adequate documentation. Specifically, The Williams Group submitted an invoice for a total payment of \$36,387.29 for service provided from January through May 2008. However, no documentation was provided to verify the performance of WIA activities. Most significantly, we found no evidence that any participant activity was conducted during these five months. Subsequent to our on-site review, we were notified that in June 2008, The Williams Group enrolled 5 of the 40 participants it was contracted to serve by June 2008.

Recommendation:

We recommended that the Contra Costa LWIA provide the Compliance Review Division (CRD) with supporting documentation and justification for the labor charges invoiced by The Williams Group.

LWIA Response:

The Contra Costa LWIA stated that it issued payments totaling \$45,036.77 to the Williams Group for services provided from January to May 2008. Of this amount, \$36,387.29 was paid for labor charges. While no documentation of program activity was attached to the demands reviewed by CRD, Contra Costa LWIA staff did receive regular reports of programmatic activity from the subrecipient. Additionally, Contra Costa LWIA held weekly meetings with the subrecipient and closely monitored program activities. It is to be noted that this is a pilot project for Contra Costa County. Because of the newness of the program and the

nature of the target population, we expected a prolonged period of intensive outreach and recruitment would be necessary prior to successful enrollment of any North Richmond eligible youth. In June 2008, The Williams Group enrolled 11 of the 25 WIA youth it was contracted to serve by June 30, 2008. The Contra Costa LWIA provided CRD activity reports and time sheets (reconstructed from subrecipient staff calendars) for The Williams Group for the period of January through May 2008. The reconstructed timesheets demonstrate that The Williams Group employee, Mr. Vernon Williams III, charged the following:

- January – 59 hours (Administrative) and 160 hours (Case Management)
- February – 80 hours (Administrative) and 160 hours (Case Management)
- March – 80 hours (Administrative) and 160 hours (Case Management)
- April – 80 hours (Administrative) and 160 hours (Case Management)
- May – 80 hours (Administrative) and 160 hours (Case Management)

State Conclusion: Based on the Contra Costa LWIA's response, we cannot resolve this issue at this time.

OMB Circular A-122 Attachment B (8)(m) (1) & (2) states, in part, that reports reflecting the distribution of activity of each employee must be maintained for all staff members whose compensation is charged, in whole or in part, directly to awards. The reports must be prepared at least monthly and must coincide with one or more pay periods.

Although the Contra Costa LWIA provided timesheets and summary activity reports to support and justify the labor charges invoiced by The Williams Group, these timesheets and summary activity reports were developed after the invoices had been paid. We recommend that the Contra Costa LWIA provide CRD with a CAP, including a timeline, to ensure that its subrecipient, The Williams Group, maintains reports that reflect the distribution of activity for all staff members and that these reports are prepared at least monthly and coincide with one or more pay periods. Additionally, we recommend that the CAP include how the Contra Costa LWIA will ensure that it does not pay future invoices without adequate supporting documentation.

FINDING 2**Requirement:**

WIA Section 184(a)(1) states, in part, that recipients of funds shall keep records that are sufficient to permit the preparation of reports required to permit the tracing of funds to a level of expenditure adequate to ensure that the funds have not been spent unlawfully.

29 CFR Section 95.21(b)(7) states, in part, that a recipient's financial management systems shall provide accounting records supported by source documentation.

OMB Circular A-122, Attachment A (A)(1)(g) states, in part, that for a cost to be allowable, it must be adequately documented.

Observation:

The Contra Costa LWIA reimbursed its youth program subrecipient, The Williams Group, for expenses where it was unable to provide documentation to support operating expense payments totaling \$7,406.91. The specific expenses are listed below:

January		
▪	Inspire Consulting Group	\$1,250.00
▪	BAN Payment History	\$ 115.00
▪	Discrepancy between actual cost and request for reimbursement	\$1,808.22
Total		\$3,173.22
February		
▪	BAN Payment History	\$ 300.00
▪	Discrepancy between actual cost and request for reimbursement	\$ 255.95
Total		\$ 555.95
March		
▪	BAN Payment History	\$ 215.00
▪	Discrepancy between actual cost and request for reimbursement	\$1,542.97
Total		\$1,757.97

April	▪ GMG Companies, Inc.	\$1,000.00
	Total	\$1,000.00
May	▪ AT&T monthly charge	\$ 289.77
	▪ BAN Payment History	\$ 100.00
	▪ Farmers Insurance	\$ 530.00
	Total	\$ 919.77
January through May Total:		<u>\$7,406.91</u>

Recommendation: We recommended that the Contra Costa LWIA provide CRD with documentation to support the above operating expense payments. In addition, we recommended that the Contra Costa LWIA provide a CAP to CRD explaining how it will ensure that, in the future, sufficient documentation is maintained and available to adequately trace operating expense payments.

LWIA Response: The Contra Costa LWIA provided the following documents to support the above costs:

January

- Inspire Consulting Group - \$1,250: The Contra Costa LWIA provided a copy of a letter from Inspire Consulting Group dated February 9, 2008 that states, in part, that it requires a \$1,250 retainer to prepare The Williams Group 2008 Federal and State Tax return. Additionally, the Contra Costa LWIA provided a \$1,250 invoice from The Bolden Tax & Financial Strategies dated October 16, 2008 for preparing The Williams Group 2007 U.S. Corporation Income Tax Return.
- BAN Payment History - \$115: The Contra Costa LWIA provided a copy of a February 5, 2008, T-Mobile phone bill for \$387.92 in the name of Tammikka Chambers.
- Discrepancy between actual cost and request for reimbursement - \$1,808.22: The Contra Costa LWIA stated that the documentation provided by The Williams Group was not sufficient to eliminate the \$1,808.22 discrepancy identified. Therefore, the Contra Costa LWIA made \$1,808.22 in line item adjustments to the April 2008 invoice from The Williams Group to recoup the costs.

February

- BAN Payment History - \$300.00: The Contra Costa LWIA provided a copy of a March 5, 2008, T-Mobile phone bill for \$325.37 in the name of Tammikka Chambers.
- Discrepancy between actual cost and request for reimbursement - \$255.95: The Contra Costa LWIA stated that the documentation provided by The Williams Group was not sufficient to eliminate the \$255.95 discrepancy identified. Therefore, the Contra Costa LWIA made \$255.95 in line item adjustments to the April 2008 invoice from The Williams Group to recoup the costs.

March

- BAN Payment History - \$215.00: The Contra Costa LWIA provided a copy of an April 5, 2008, T-Mobile phone bill for \$317.88 in the name of Tammikka Chambers.
- Discrepancy between actual cost and request for reimbursement - \$1,542.97: The Contra Costa LWIA stated that the documentation provided by The Williams Group was not sufficient to eliminate the \$1,542.97 discrepancy identified. Therefore, the Contra Costa LWIA made \$1,542.97 in line item adjustments to the April 2008 invoice from The Williams Group to recoup the costs.

April

- GMG Companies, Inc. - \$1,000: The Contra Costa LWIA provided a \$1,000 invoice from GMG Companies, Incorporated dated July 1, 2008.

May

- AT&T monthly charge - \$289.77: The Contra Costa LWIA provided a copy of an AT&T wireless payment receipt for The Williams Group dated June 10, 2008 in the amount of \$147.77. As a result, the Contra Costa LWIA stated it recouped \$142 from The Williams Group.
- BAN Payment History - \$100: The Contra Costa LWIA stated that the documentation it received from The Williams Group was insufficient to verify this expenditure. As a result, the Contra Costa LWIA stated it recouped \$100 from The Williams Group.
- Farmers Insurance - \$530: The Contra Costa LWIA provided two receipts from Farmers Insurance to The Williams Group. The first receipt is dated March 27, 2008 for \$265.00. The second receipt is dated May 14, 2008 for \$265.00.

State Conclusion: Based on the Contra Costa LWIA's response, we cannot resolve this issue at this time.

January

- Inspire Consulting Group - \$1,250: The invoice provided to support this January 2008 expenditure is dated October 16, 2008 (10 months after this expense was claimed). Additionally, the invoice provided is for the completion of The Williams Group 2007 U.S. Corporation Tax return; The Williams Group was not a WIA Youth service provider in 2007. Therefore, this cost cannot be charged to the WIA program.
- BAN Payment History - \$115: The T-Mobile phone bill provided was in the name of Tammikka Chambers and no documentation was provided to explain why Ms. Chambers' phone bill was submitted as documentation for The Williams Group expenditure. Additionally, no documentation was provided that supports why \$115 of the \$387.92 bill was allocated to the WIA youth program. This cost is questioned unless documentation is provided to support an allowable WIA expense.
- Discrepancy between actual cost and request for reimbursement - \$1,808.22: The Contra Costa LWIA stated it made line item adjustments in The Williams Group April 2008 invoice to recoup \$1,808.22 discrepancy, but the Contra Costa LWIA did not provide documentation of its actions. Documentation must be provided to show the adjustments.

February

- BAN Payment History - \$300.00: The T-Mobile phone bill provided was in the name of Tammikka Chambers and no documentation was provided to explain why Ms. Chambers' phone bill was submitted as documentation for The Williams Group expenditure. Additionally, no documentation was provided that explains or supports why \$300 of the \$325.37 bill was allocated to the WIA youth program. This cost is questioned unless documentation is provided to support an allowable WIA expense.
- Discrepancy between actual cost and request for reimbursement - \$255.95: The Contra Costa LWIA stated it made line item adjustments in The Williams Group April 2008 invoice to recoup \$255.95 discrepancy, but the Contra Costa LWIA did not provide documentation of its actions. Documentation must be provided to show the adjustments.

March

- BAN Payment History - \$215.00: The T-Mobile phone bill provided was in the name of Tammikka Chambers and no documentation was provided to explain why Ms. Chambers phone bill was submitted as documentation for a The Williams Group expenditure. Additionally, no documentation was provided that explains or supports why \$215 of the \$317.88 bill was allocated to the WIA youth program. This cost is questioned unless documentation is provided to support an allowable WIA expense.
- Discrepancy between actual cost and request for reimbursement - \$1,542.97: The Contra Costa LWIA stated it made line item adjustments in The Williams Group April 2008 invoice to recoup \$1,542.97 discrepancy, but the Contra Costa LWIA did not provide documentation of its actions. Documentation must be provided to show the adjustments.

April

- GMG Companies, Inc. - \$1,000: The July 1, 2008 statement shows that The Williams Group paid \$1,000 on May 1, 2008. The documents provided appear to support the \$1,000 charge.

May

- AT&T monthly charge - \$289.77: The Contra Costa LWIA did not explain why a payment receipt dated June 10, 2008 was used to support a cost claimed by The Williams Group for May 2008. This cost is questioned unless documentation is provided to support an allowable WIA expense.
- BAN Payment History - \$100: The Contra Costa LWIA stated it recouped \$100 from The Williams Group, but did not provide documentation supporting this action. Documentation must be provided to show the adjustments.
- Farmers Insurance - \$530: Although, these receipts appear to support the \$530 charge, the documentation provided does not explain what the insurance was for and why the expenditure was charged to the WIA youth program. This cost is questioned unless documentation is provided to support an allowable WIA expense.

We recommend that the Contra Costa LWIA provide documentation and/or explanations to the inquiries listed above. Until then, this finding remains open and has been assigned CATS number 80208.

FINDING 3

Requirement:

OMB Circular A-122, Attachment A, Section (A)(2)(a) states, in part, that for a cost to be allowable it must be reasonable for the performance of the award

OMB Circular A-122, Attachment A, Section (A)(4)(a) states, in part, that a cost is allocable to a particular cost objective, such as a grant, contract, project, service, or other activity, in accordance with the relative benefits received.

WIA Section 129(a) states, in part, that youth funds may be used to provide incentives for recognition and achievement to eligible youth.

20 CFR Section 664.200 states, in part, that an eligible youth is an individual who is age 14 through 21, low-income, and is within one or more of the listed categories.

Observation:

We found that the Contra Costa LWIA reimbursed \$1,189.05 to its subrecipient, The Williams Group, for incentive gift cards ranging from twenty to fifty dollars. The Williams Group did not provide information as to the purpose of the incentive gift cards or that the incentive gift cards were provided to eligible youth. However, we found documentation indicating The Williams Group conducted an informational gathering of non-WIA individuals ranging from 15 years old to 50 years old regarding WIA services.

Additionally, the Contra Costa LWIA did not provide documentation or explanation of how the provision of incentive gift cards to individuals is a necessary and reasonable cost for the implementation of the WIA out-of-school youth program or how the incentive gift cards were used to provide recognition and/or achievement to eligible youth. No youth had been enrolled in the WIA program at the time the gift cards were provided to individuals.

Finally, we found an additional expense where the Contra Costa LWIA paid The Williams Group \$69.00 for a phone accessory to a phone not used for WIA purposes.

Recommendation: We recommended that the Contra Costa LWIA provide CRD documentation demonstrating that the incentive gift cards were provided to eligible youth for recognition and/or achievement of a

WIA activity. Additionally, we recommended that the Contra Costa LWIA justify the phone accessory expense or disallow that cost, obtain the funds from The Williams Group, and provide CRD documentation of its actions.

LWIA Response:

The Contra Costa LWIA provided an incentive gift card distribution list that includes the name of the individual who received the incentive, the purpose of the incentive and the dollar amount of the incentive. However, Contra Costa also states that while collecting documentation from The Williams Group it found that while \$1,189 in gift cards were purchased; only \$570 worth of gift cards was distributed to youth. The Contra Costa LWIA stated that it has recouped the difference, \$619.05, from The Williams Group. Finally, the Contra Costa LWIA states that the \$69.00 phone accessory was a necessary purchase for the cellular phone used by The Williams Group in the course of its contracted work.

State Conclusion:

Based on the Contra Costa LWIA's response, we cannot resolve this issue at this time.

1. The distribution list provided does not include the date the gift card was provided or documentation demonstrating that the identified youth received the incentive gift card (i.e. signed receipt).
2. The distribution list states that \$470 of the incentives was provided for eligibility, but does not describe the recognition/achievement for the incentive payment.
3. Two of the youth on the distribution list received incentives for graduation, but no documentation was provided to substantiate those graduations.
4. The distribution list includes youth who received 2-3 incentive payments for the same recognition/achievement (eligibility).
5. The Contra Costa LWIA did not provide CRD documentation demonstrating that it recouped \$619.05 for the gift cards that were not distributed/purchased.

We recommend that the Contra Costa LWIA:

1. Provide the date the gift cards were provided and include documentation demonstrating that the participants received the incentive gift cards (e.g. signed receipt).

2. Provide documentation explaining what the achievement/recognition "eligibility" means and how it was documented.
3. Provide documentation supporting the incentive payment to the participants who graduated.
4. Provide documentation explaining why the same participant received 2-3 incentive payments for the same achievement/recognition.
5. Provide documentation demonstrating that the Contra Costa LWIA recouped \$619.05 from The Williams Group for the gift cards that were not purchases/distributed.

Until then, this finding remains open and has been assigned CATS number 80209.

FINDING 4

Requirement:

OMB Circular A-122, Attachment B(8)(h) states that compensation for personal service including transportation to and from work is unallowable as fringe benefit or indirect costs regardless of whether the cost is reported as taxable income to the employees. These costs are allowable as direct costs to sponsored award when necessary for the performance of the sponsored award and approved by awarding agencies.

OMB Circular A-122, Attachment B(51)(a) states that travel costs are the expenses for transportation, lodging, subsistence, and related items incurred by employees who are in travel status on official business of the non-profit organization. Such costs may be charged on an actual cost basis, on a per diem or mileage basis in lieu of actual costs incurred.

Observation:

We found that The Williams Group was unable to provide documentation to support its request for mileage reimbursements. Specifically, The Williams Group created a handwritten travel log indicating entries, but there was no information as to the point of origin, the destination, and/or documentation as to the purpose of the travel. The specific expenses are listed below:

- January 2008, requesting \$161.60, for traveling 320 miles
- February 2008, requesting \$275.22, for traveling 545 miles
- March 2008, requesting \$406.52, for traveling 805 miles
- April 2008, requesting \$762.55, for traveling 1,510 miles
- May 2008, requesting \$964.55, for traveling 1,910 miles

For the April 2008 expense, The Williams Group initially requested \$762.55, but adjusted its mileage compensation of \$319.80 from January 2008 through March 2008. Therefore, the amount The Williams Group requested for April 2008 was reduced to \$442.75. The grand total The Williams Group requested in travel reimbursement through the month of May 2008 totaled \$2,570.45

Recommendation: We recommended that the Contra Costa LWIA provide CRD with supporting documentation and justification for the mileage reimbursement charges.

LWIA Response: The Contra Costa LWIA stated that The Williams Group updated its travel log form and implemented use of the form. Upon review of the updated travel log for the period January through May 2008, the Contra Costa LWIA identified discrepancies between actual costs and amounts paid. The documentation provided by The Williams Group was not sufficient to eliminate the \$393.23 discrepancy identified by the Contra Costa LWIA. As a result the Contra Costa LWIA has recouped \$393.23 from The Williams Group. The Contra Costa LWIA provided documentation (a travel log that included the date, point of origin, destination, and total miles traveled) of all approved travel for The Williams Group for the period January through May 2008. The log demonstrated that the Contra Costa LWIA approved the following for:

- January 2008, approved \$106.21, for traveling 210 miles
- February 2008, approved \$197.52, for traveling 391 miles
- March 2008, approved \$398.86, for traveling 790 miles
- April 2008, approved \$542.03 for traveling 1,073 miles
- May 2008, approved \$612.80, for traveling 1,213 miles

The grand total the Contra Costa LWIA approved in travel reimbursement for The Williams Group through the month of May 2008 totaled \$1,857.42.

State Conclusion: Based on the Contra Costa LWIA's response, we cannot resolve this issue at this time. Although the Contra Costa LWIA provided supporting documentation and justification for the mileage reimbursement, the Contra Costa LWIA did not provide documentation demonstrating that the \$393.23 was recouped from The Williams Group. We recommend that the Contra Costa LWIA provide CRD with documentation demonstrating that the \$393.23 was recouped from The Williams Group.

Until then, this finding remains open and has been assigned CATS number 802010.

FINDING 5

Requirement:

29 CFR 95.21(b)(1-4) states that a recipients' financial management systems shall provide for the following: accurate, current and complete disclosure of the financial results of each federally-sponsored project or program in accordance with the reporting requirements set forth in Sec. 95.52. Though DOL requires reporting on an accrual basis from a recipient that maintains its records on other than an accrual basis, the recipient shall not be required to establish an accrual accounting system but it may develop such accrual data for its reports based on an analysis of the documentation on hand. The recipients' financial management systems shall provide records that identify adequately the source and application of funds for federally-sponsored activities.

These records shall contain information pertaining to Federal awards, authorizations, obligations, unobligated balances, assets, outlays, income and interest. A recipients' financial management systems shall provide effective control over and accountability for all funds, property and other assets. Recipients shall adequately safeguard all such assets and assure they are used solely for authorized purposes. The recipients' financial management systems shall provide comparison of outlays with budget amounts for each award. Whenever appropriate, financial information should be related to performance and unit cost data.

Observation:

We found that the Contra Costa LWIA made ongoing payments for invoices that had no supporting documentation for the expenditure. As mentioned in the above findings, the Contra Costa LWIA reimbursed The Williams Group for labor charges, operating expenses, and youth program cost without review of the appropriateness or allowabilty of these charges. In addition, we found that The Williams Group does not maintain a general ledger to identify the expenditures for its Youth grant.

Recommendation:

We recommended that the Contra Costa LWIA review all charges submitted by The Williams Group from the beginning to the end of the contract period (January 1, 2008 to June 30, 2008). Expenditures reimbursed with WIA funds by the Contra Costa LWIA without supporting documentation is subject to questioned costs. We

recommend that the Contra Costa LWIA provide CRD with its review and supporting documentation of the charges paid with WIA funds.

LWIA Response: The Contra Costa LWIA stated that it conducted fiscal monitoring of The Williams Group in spring 2008. As part of that process, the Contra Costa LWIA conducted an extensive review of all documentation for all expenditures reimbursed with WIA funds paid to The Williams Group for the period January 1, 2008 through June 30, 2008. The Williams Group general ledger was reviewed by Contra Costa LWIA staff as part of this review.

In summary, the Contra Costa LWIA stated that it:

- Originally paid: \$56,371.21
- Approved: \$51,510.29
- Recouped: \$3,606.64 (in April 2008)
- Recouped: \$1,254.28 (in October 2008)

State Conclusion: Based on the Contra Costa LWIA's response, we cannot resolve this issue at this time. Although the Contra Costa provided a copy of a check from The Williams Group to the Contra Costa LWIA for the \$1,254.28 recouped in October 2008, we recommend that, per the State Conclusion to finding 2 above, that the Contra Costa LWIA provide additional documentation/information regarding the payments approved (January through June 2008) and costs recouped in April 2008. Until then, this finding remains open and has been assigned CATS number 80212.

PROCUREMENT REVIEW RESULTS

While we concluded that, overall, the Contra Costa LWIA is meeting applicable WIA requirements concerning procurement, we noted instances of noncompliance in the following areas: Sole source justification, and request for proposal (RFP). The findings that we identified in these areas, our recommendations, and the Contra Costa LWIA's proposed resolution of the findings are specified below.

FINDING 6

Requirement: 29 CFR 97.36 (b)(9) states in part, grantees and subgrantees will maintain records sufficient to detail the significant history of a procurement. These records will include a rationale for the method of procurement, selection of contract type, contractor selection or rejection, and the basis for contract price.

Observation: The Contra Costa LWIA procured services from the Oakland Private Industry Council for its Individual Training Account (ITA) services in the amount of \$574,484. The Contra Costa LWIA believes the original procurement was conducted in the beginning of WIA. However, it was unable to provide documentation detailing the initial procurement or documentation substantiating the appropriateness of the ongoing renewal of this contract.

Recommendation: We recommended that the Contra Costa LWIA provide documentation to justify its current contract with the Oakland Private Industry Council for ITA services and submit a CAP showing how it will ensure, in the future, that all procurements are made with full and open competition, and documentation is maintained to detail the significant history of procurements.

LWIA Response: The Contra Costa LWIA stated that it uses the Oakland Private Industry Council (OPIC) as its payment agent for all ITAs as do three other local workforce investment boards (Alameda County, City of Oakland, and City of Richmond) that make up the East Bay Works partnership. This regional partnership, including its system of 13 One-Stop Centers and shared resources, has been recognized and supported by the State of California since before the implementation of WIA:

Additionally, the Contra Costa LWIA provided a memorandum that summarizes its justification for a sole-source contract with OPIC: In the East Bay region it is very common for a training vendor to enroll students from a very large geographic region. Additionally, it is normal practice for its job seeking customers to utilize the services of any One-Stop Center throughout the two-county East Bay Region. With the enactment of WIA in 1998, the four workforce investment boards located in the East Bay agreed to centralize the processing of ITAs to capitalize on the economies of scale and to streamline the process thus increasing customer service to both the training vendors and job seekers throughout the East Bay. The OPIC has the capacity and knowledge to work with the State of California to set up new training vendors on the State's Eligible Training Provider List, monitors the schools regularly, processes the purchase order from Contra Costa's One-Stops, issues tuition payments, and request refunds of tuition when necessary. The Contra Costa LWIA states that OPIC is currently the only organization within the East Bay that has this expertise and capacity.

State Conclusion: Based on the Contra Costa LWIA's response, we cannot resolve this issue at this time. The Contra Costa LWIA's response does not justify a sole source procurement contract with OPIC for ITA services. Since the Contra Costa LWIA states that it has utilized OPIC for these services since the enactment of WIA, it can be stated that the Contra Costa LWIA has not utilized a competitive procurement process for the ITA services since the implementation of WIA. Therefore, the Contra Costa LWIA has not demonstrated that OPIC is the only organization within the East Bay that has the expertise and capacity to be the payment agent for Contra Costa's ITAs. We, again, recommend that the Contra Costa LWIA provide documentation to justify its current contract with the Oakland Private Industry Council for ITA services and submit a CAP showing how it will ensure, in the future, that all procurements are made with full and open competition, and documentation is maintained to detail the significant history of procurements. Until then, this finding remains open and has been assigned CATS number 80212.

FINDING 7

Requirement: 29 CFR Section 97.36(b)(8) states, in part, that subgrantees will make awards only to responsible contractors possessing the ability to perform successfully under the terms and conditions of a proposed procurement. Consideration will be given to such matters as contractor integrity, compliance with public policy, record of past performance, and financial and technical resources.

29 CFR Section 97.36(b)(9) states, in part, that subgrantees will maintain records sufficient to detail the significant history of a procurement.

29 CFR Section 97.36(f)(1) states, in part, that a cost or price analysis must be performed in connection with every procurement transaction. A cost analysis is necessary for sole source procurements.

The Contra Costa Employment and Human Services, on behalf of the Contra Costa LWIA, policy and procedures for Request For Interest (ROI) states that, in part, responding organizations are required to submit three copies of their most recent certified single or agency-wide audit with any findings and corrective actions plans.

Observation:

We reviewed a PY 2007-08 RFP that led to a contract between the Contra Costa LWIA and The Williams Group for \$60,000 to provide youth services in the North Richmond Area. Based on our review of this RFP, we found the following:

- The Contra Costa LWIA did not follow its procurement procedures. The Contra Costa LWIA accepted The Williams Group's youth services proposal without an audit as required in the Contra Costa LWIA's procurement policy and procedures. The Williams Group stated that it is a Class-C Nevada corporation duly registered in the State of California as a lawful foreign corporation doing business and residing in California. However, we saw no documentation to substantiate this statement.
- The Contra Costa LWIA did not perform a written determination of demonstrated performance, including contractor integrity, compliance with public policy, record of past performance, and financial/technical resources.

Recommendation: We recommended that Contra Costa LWIA provide CRD with supporting justification as to why it did not follow its own procurement policy, and awarded a contract to a subrecipient that failed to provide a written determination of demonstrated performance, including contractor integrity, compliance with public policy, record of past performance, and financial/technical resources. We recommended that the Contra Costa LWIA provide its rationale for awarding a contract to an entity that does not appear to meet the basic procurement requirements specified above.

LWIA Response: The Contra Costa LWIA stated that it conducted an intensive Request for Interest (RFI) process prior to the awarding The Williams Group contract. The more formal Request for Proposal (RFP) process is only required when the amount to be awarded is equal to or greater than \$100,000. The Contra Costa LWIA conducted in-person interviews with responding agencies in addition to a basic rating of the written responses to the RFI. The Contra Costa LWIA states that these documents (rating sheets for in-person interview and response to RFI) were reviewed by the State during the on-site review. The Contra Costa LWIA determined from these documents that The Williams Group was the best qualified organization. The Williams Group had successful working relationships with the City of Pittsburg, Contra Costa County Supervisor Federal Glover's office, and two local community colleges, among others.

The Contra Costa LWIA believes that it did its due diligence in establishing the viability of The Williams Group as a contractor for WIA youth services in North Richmond and stand by their decision to award the contract to The Williams Group. The Contra Costa LWIA provided:

- The Williams Group Certificate of Qualification from the State of California Secretary of State (dated October 29, 2007),
- The Williams Group's audited financial statements (for the period ending July 14, 2008), and
- Copies of the RFI Rating Sheets.

State Conclusion: Based on the Contra Costa LWIA's response, we cannot resolve this issue at this time.

- First, the audited financial statements state that "The Williams Group, Inc. did not have any income or expense in the period beginning at the inception, June 15, 2007, to its fiscal year end, December 31, 2007. Revenue and expenses incurred in the fiscal year of 2008." This audit was performed after the Contra Costa LWIA had awarded the contract to The Williams Group. Therefore, it appears that The Williams Group was unable to provide an audit prior to the awarding of the contract.
- Second, the RFI rating sheets identify points for "Fiscal Evaluation of Audit and Budget". The Williams Group was awarded 10 of 15 points by one rater and 14 of 15 points by another rater for this item. The Contra Costa LWIA has not explained how The Williams Group was rated on these items given the fact that The Williams Group did not provide an audit prior to the award of the contract.
- Third, the interview sheets are inconsistent. The first rater gave the competitor 19 of 35 points, but did not tally points for The Williams Group interview. Additionally, Contra Costa LWIA provided a copy of the second rater's interview sheets for the competitor, but did not provide a copy of the second rater's interview sheets for The Williams Group.

We, again, recommend that Contra Costa LWIA provide CRD with supporting justification as to why it did not follow its own procurement policy and awarded a contract to an entity that does not appear to meet the Contra Costa LWIA's basic procurement requirements. Additionally, we recommend that Contra Costa LWIA include an explanation of why The Williams Group was awarded the contract without providing an audit and how the raters decided to award points for "Fiscal Evaluation of Audit and Budget" despite the fact

that The Williams Group did not provide an audit for review. Finally, we recommend that Contra Costa LWIA provide a copy of the missing interview sheet and provide an explanation for the discrepancies on the interview sheets provided. Until then, this finding remains open and has been assigned CATS number 80213.

We provide you up to 20 working days after receipt of this report to submit to the Compliance Review Division your response to this report. Because we faxed a copy of this report to your office on the date indicated above, we request your response no later than April 29, 2009. Please submit your response to the following address:

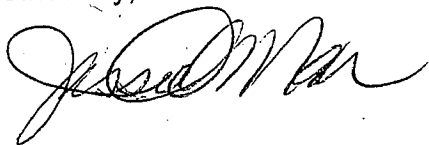
Compliance Monitoring Section
Compliance Review Office
722 Capitol Mall, MIC 22M
P.O. Box 826880
Sacramento, CA 94280-0001

In addition to mailing your response, you may also FAX it to the Compliance Monitoring Section at (916) 654-6096.

Because the methodology for our monitoring review included sample testing, this report is not a comprehensive assessment of all of the areas included in our review. It is the Contra Costa LWIA's responsibility to ensure that its systems, programs, and related activities comply with the WIA grant program, Federal and State regulations, and applicable State directives. Therefore, any deficiencies identified in subsequent reviews, such as an audit, would remain the Contra Costa LWIA's responsibility.

Please extend our appreciation to your staff for their cooperation and assistance during our review. If you have any questions regarding this report or the review that was conducted, please contact me at (916) 653-7541 or Ms. Mechelle Hayes at (916) 654-7005.

Sincerely,



JESSIE MAR, Chief
Compliance Monitoring Section
Compliance Review Office

cc: Jose Luis Marquez, MIC 50
Dathan O. Moore, MIC 50
Doug Orlando, MIC 50
Daniel Patterson, MIC 45